

Message Text

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51

ACTION NEA-12

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-04 PRS-01 SS-20 USIA-15 SAM-01 CEA-02 STR-08

INT-08 SCI-06 FEA-02 DRC-01 /180 W

----- 054025

R 271005Z FEB 74

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 2954

INFO AMCONSUL ISTANBUL

AMCONSUL ADANA UNN

AMCONSUL IZMIR UNN

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EO 11652 N/A

TAGS: EGEN, ENRG, TU

SUBJECT: MOBIL GLOOMY FOLLOWING PRICE INCREASES

REF: ANKARA 1435

1. MOBIL REPRESENTATIVE AT ANKARA TOLD ECONOMIC/COMMERCIAL COUNSELOR THAT GOVERNMENT DECISION TO INCREASE PRICE OF PETROLEUM PRODUCTS (REFTEL) IS APPARENTLY BEING APPLIED IN WAY THAT WILL NOT BENEFIT PRIVATE COMPANIES' REFINING AND DISTRIBUTING OPERATIONS IN TURKEY AND MAY IN FACT PUT THEM IN FURTHER SQUEEZE. HIS PRELIMINARY INFORMATION IS THAT PRICE INCREASE WILL NOT ALLOW ANY ADDITIONAL MARGIN TO REFINERS AND DISTRIBUTORS, AND THAT GOVERNMENT PLANS TO IMPOSE RETROACTIVELY LARGER DISCOUNT IN CALCULATING COSTS OF CRUDE IMPORTS. BENEFITS OF RECENT ACTION WOULD BE ABSORBED ONLY BY GOVERNMENT. MOBIL REPRESENTATIVE SAID IN SUCH EVENT HE DID NOT SEE HOW PRIVATE FOREIGN COMPANIES COULD REMAIN IN BUSINESS. HE DID NOT HAVE MORE PRECISE INFORMATION.

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TION AND PROMISED KEEP EMBASSY INFORMED WHEN HIS COMPANY

LEARNS MORE ABOUT WHAT GOVERNMENT INTENDS AND HAS STUDIED IMPLICATIONS.

2. EMBASSY COMMENT: PETROLEUM REFINERS (AND OTHER MANUFACTURERS GENERALLY) IN TURKEY HAVE BEEN PRESSING GOT FOR LONG TIME FOR PRICE INCREASE TO HELP THEM COVER INCREASING COSTS OF DOING BUSINESS. PRICING OF PETROLEUM PRODUCTS AND RELATED COST STRUCTURES HAS BEEN PARTICULARLY COMPLICATED BECAUSE OF PRICE CEILING AND GOT OPERATION OF STABILIZATION FUND FOR CRUDE IMPORTS. THAT IS, GOT PRACTICE IN IMPOSING CEILING PRICE FOR PETROLEUM PRODUCTS HAS BEEN TO CALCULATE PRICE AT WHICH IT ASSUMES CRUDE OIL IS IMPORTED, AS WELL AS COSTS OF REFINING AND DISTRIBUTING, ETC. IF CRUDE ACTUALLY IMPORTED AT LESS THAN ASSUMED PRICE, COMPANIES HAVE PAID DIFFERENCE INTO STABILIZATION FUND. IF CRUDE IMPORTED AT HIGHER THAN ASSUMED PRICE, IMPORTING COMPANY GETS CREDIT AGAINST TAXES AND OTHER PAYMENTS DUE TO GOVERNMENT. LATTER HAS BEEN CASE DURING RECENT MONTHS, AND PRIOR TO DECISION THIS WEEK ON PRODUCT PRICES, GOT HS BEEN IN EFFECT SUBSIDIZING RETAIL PRICE ESTABLISHED FOR PRODUCTS. STABILIZATION FUND HAS BEEN EXHAUSTED AND GOVERNMENT HAS BEEN ASSUMING OBLIGATION OF POSSIBLY UP TO \$20 MILLION PER MONTH. DECISION TO INCREASE PRODUCT PRICES WILL THUS RELIEVE FINANCIAL PRESSURE ON GOVERNMENT BUT DOES NOT IN ITSELF OFFER RELIEF TO COMPANIES, WHICH CONTINUE TO INSIST THAT THEIR MARGINS ARE SQUEEZED BY RISING COSTS. SEPARATELY, GOT HAS ALREADY ADOPTED DECREE REQUIRING COMPANIES TO PAY TO TREASURY ANY INCREMENTAL PROFITS FROM DOMESTICALLY PRODUCED CRUDE PETROLEUM AND DERIVATIVES AS A RESULT OF PRICE INCREASES IN INTERNATIONAL MARKET. PROCEEDS GO TO PETROLEUM EXPLORATION AND OPERATIONS FUND AND MAY UPON MINISTERIAL APPROVAL BE ALLOCATED FOR PURPOSES OF "PETROLEUM EXPLORATION, DISCOVERY, DEVELOPMENT, PRODUCTION, STORAGE, TRANSPORTATION AND RELATED INVESTMENT FIELDS." MACOMBER

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Message Attributes

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Copy: SINGLE
Draft Date: 27 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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Errors: N/A
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30 JUN 2005

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